

Message Text

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70

ACTION EUR-12

INFO OCT-01 ISO-00 ABF-01 OMB-01 TRSE-00 FSE-00 PER-03

CIAE-00 COME-00 EB-07 INR-07 LAB-04 NSAE-00 SIL-01

PA-02 PRS-01 USIA-15 OPR-02 DODE-00 AGR-10 FRB-01 H-02

L-03 /073 W

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R 021420Z SEP 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 4755

INFO USMISSION OECD PARIS

AMCONSUL ISTANBUL

AMCONSUL IZMIR

AMCONSUL ADANA

AMEMBASSY BONN

UNCLAS ANKARA 6747

E.O. 11652: N/A

TAGS: EFIN, TU

SUBJ: TURKISH LIRA EXCHANGE RATE CHANGED TO ATTRACT TURKISH WORKER
REMITTANCES.

1. IN RESPONSE TO LOWERED INFLOWS OF WORKER REMITTANCES
DURING THE FIRST SEVEN MONTHS OF 1976, THE GOT ON SEPTEMBER 1
ANNOUNCED A NEW TURKISH LIRA RATE APPLICABLE TO WORKER RE-
MITTANCES IN DOLLARS AND CONVERTIBLE EUROPEAN CUR-
RENCIES. THE NEW RATE WILL IN EFFECT BE TL 17.50 TO \$1 IN
PLACE OF THE PREVIOUS TL 16 TO \$1 WHICH HAD BEEN IN EFFECT
SINCE 1970.

2. WORKER REMITTANCES FOR THE FIRST SEVEN MONTHS OF 1976 WERE DOWN
MORE THAN 35 PERCENT OVER A COMPARABLE PERIOD LAST YEAR,
\$511 MILLION AS OPPOSED TO \$700 MILLION IN 1975. STATIS-
TICS FOR AUGUST 1976 ARE NOT YET AVAILABLE. THE
MINISTER OF FINANCE ANNOUNCED HOWEVER, THAT WITH NEW
RATE GOT ANTICIPATES REMITTANCES FOR SEPTEMBER-DECEMBER
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1976 WILL REACH \$500 MILLION (REMITTANCES DURING THIS

PERIOD IN BOTH 1974 AND 1975 WERE BETWEEN \$440-\$450 MILLION).

3. WHEN THE TURKISH LIRA WAS DEVALUED ON AUGUST 10, 1970 FROM TL 9 TO \$1 TO TL 14.85 TO \$1, THE GOT SET UP A SEPCIAL EXCHANGE RATE FOR TURKISH WORKER REMITTANCES. THIS RATE WAS SET AT TL 12 TO \$1 BUT CONVERSIONS WERE SUPPLEMENTED BY AN IMMEDIATE PAYMENT OF 33 1/3 PERCENT "INTEREST". EFFECTIVE EXCHANGE RATE FOR WORKER REMITTANCES FROM AUGUST 10, 1970 TO SEPTEMBER 1, 1976 WAS, THEREFORE, TL 16 TO \$1. OFFICIAL RATE OF TL FOR ALL OTHER TRANSACTIONS DURING THIS PERIOD MOVED FROM TL 14.85 TO \$1 TO TL 13.50 TO \$1 ON MAY 14, 1974. SINCE SEPTEMBER 20, 1974 THE TL HAS BEEN PERIODICALLY DEVALUED AGAINSTTHE DOLLAR AND HAS BEEN TL 16 TO \$1 SINCE APRIL 2, 1976. SINCE APRIL THE LACK OF INDUCEMENT TO REMIT HAS BEEN REFLECTED INTHE DECLINE IN REMITTANCES. NEW RATE FOR WORKER REMITTANCES IS TL 13.13 TO \$1 WHICH WITH 33 1/3 PERCENT CASH INTEREST MAKES NEW EFFECTIVE RATE TL 17.50 TO \$1. THE WORKER REMITTANCE RATE FOR THE DEUTSCH MARK WENT FROM TL 6.40 TO 1 DM TO TL 7 TO 1 DM.

4. COMMENT: GOT ESTIMATED IN ITS 1976 ANNUAL PROGRAM THAT WORKER REMITTANCES FOR 1976 WOULD REACH \$1.2 BILLION (\$1.45 BILLION IN 1974, \$1.3 BILLION IN 1975). EVEN WITH NEW EXCHANGE RATE, ACUTAL REMITTANCES APPEAR, AT BEST, TO HAVE CHANCE OF REACHING ONLY \$1.1 BILLION.

5. SETTING NEW REMITTANCE RATE AT TL 17.50 TO \$1 WHEN OFFICIAL RATE IS STILL TL 16 TO \$1 COULD PUT ADDITIONAL PRESSURE ON GOVERNEMTN TO DEVALUE LIRA. INDUSTRIALISTS AND BUSINESSMEN'S GROUPS HAVE BEEN URGING THE ADOPTION OF "A REALISTC EXCHANGE RATE" (USUALLY UNDEFINED, BUT SOMEWHERE BETWEEN TL 16 TO TL 20 TO THE DOLLAR). GOVERNMENT HAS BEEN RESISTING THESE PRESSURES SINCE A MAJOR DEVALUATION WOULD BE CRITICIZED BY POLITICAL OPPOSITION AND MIGHT BE SEEN BY PUBLIC AS DEFEAT FOR DEMIREL GOVERNMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, POLICIES, FOREIGN WORKERS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ANKARA06747
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760334-0289
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760999/aaaadgyr.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cahillha
Review Comment: n/a
Review Content Flags:
Review Date: 23 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 FEB 2004 by MaustMC>; APPROVED <18 JAN 2005 by cahillha>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TURKISH LIRA EXCHANGE RATE CHANGED TO ATTRACT TURKISH WORKER REMITTANCES.
TAGS: EFIN, TU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006